

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1741 – HB 1947

April 6, 2010

SUMMARY OF AMENDMENT (016015): Deletes the language of the original bill. Creates a new tax mechanism to collect state sales and use tax on e-commerce transactions. Requires each retailer doing business in Tennessee that does not collect state sales tax to notify Tennessee purchasers that sales or use tax is due on certain purchases made from the retailer, and to notify the Department of Revenue (DOR) about such purchases. Retailers shall provide such notice to purchasers prior to January 31 of each year. Requires any purchaser receiving a notification to file a sales tax return. Establishes penalties for retailers for failure to provide specified notifications.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – Not Significant

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue – Exceeds \$10,000/Recurring

Increase State Expenditures - \$162,000/One-Time

Increase Local Revenue – Not Significant

Assumptions applied to amendment:

- The revenue impact for this bill as amended is dependent upon several unknown factors such as the number of retailers that will provide consumers appropriate notice, the extent of taxable transactions discovered and reported to DOR, and the extent to which consumers file sales and use tax returns with DOR. Given the extent of unknown factors, determining a precise revenue impact for the bill is difficult. However, the increase to state revenue is reasonably estimated to exceed \$10,000 per year.

- According to DOR, software and system modifications would be required to implement the provisions of this bill as amended. Based on the information provided by DOR, the one-time increase to state expenditures is estimated to be \$162,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc